

OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY

ST. LOUIS METROPOLITAN
POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



Report No. 89-68
August 16, 1989

ST. LOUIS METROPOLITAN POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

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The Board of Police Commissioners of the
St. Louis Metropolitan Police Department
City of St. Louis, Missouri 63110

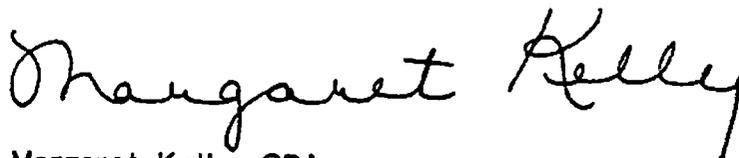
We have conducted a review of the Metropolitan Police Department, city of St. Louis. Our review included, but was not necessarily limited to, the city's fiscal year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the department's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the department's financial reporting system.
5. Perform procedures necessary to evaluate petitioner concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The St. Louis Metropolitan Police Department had engaged Price Waterhouse and Company, Certified Public Accountants, to perform an audit of the department. In order to minimize any duplication of effort, we utilized the work of this firm. We also inspected relevant records and reports maintained by the department and held discussions with department personnel. The data presented in the appendices are for informational purposes and were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures; therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. This background information was obtained from department management and was not subjected to the auditing procedures applied by us in our review.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.

A handwritten signature in cursive script that reads "Margaret Kelly". The signature is written in black ink and is positioned above the typed name.

Margaret Kelly, CPA
State Auditor

October 27, 1988

HISTORY AND ORGANIZATION

**ST. LOUIS METROPOLITAN POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION**

The St. Louis Metropolitan Police Department was established by an act of the legislature in 1861 and provides law enforcement protection. The department operates under the provisions of Sections 84.010 to 84.340, inclusive, of RSMo 1986.

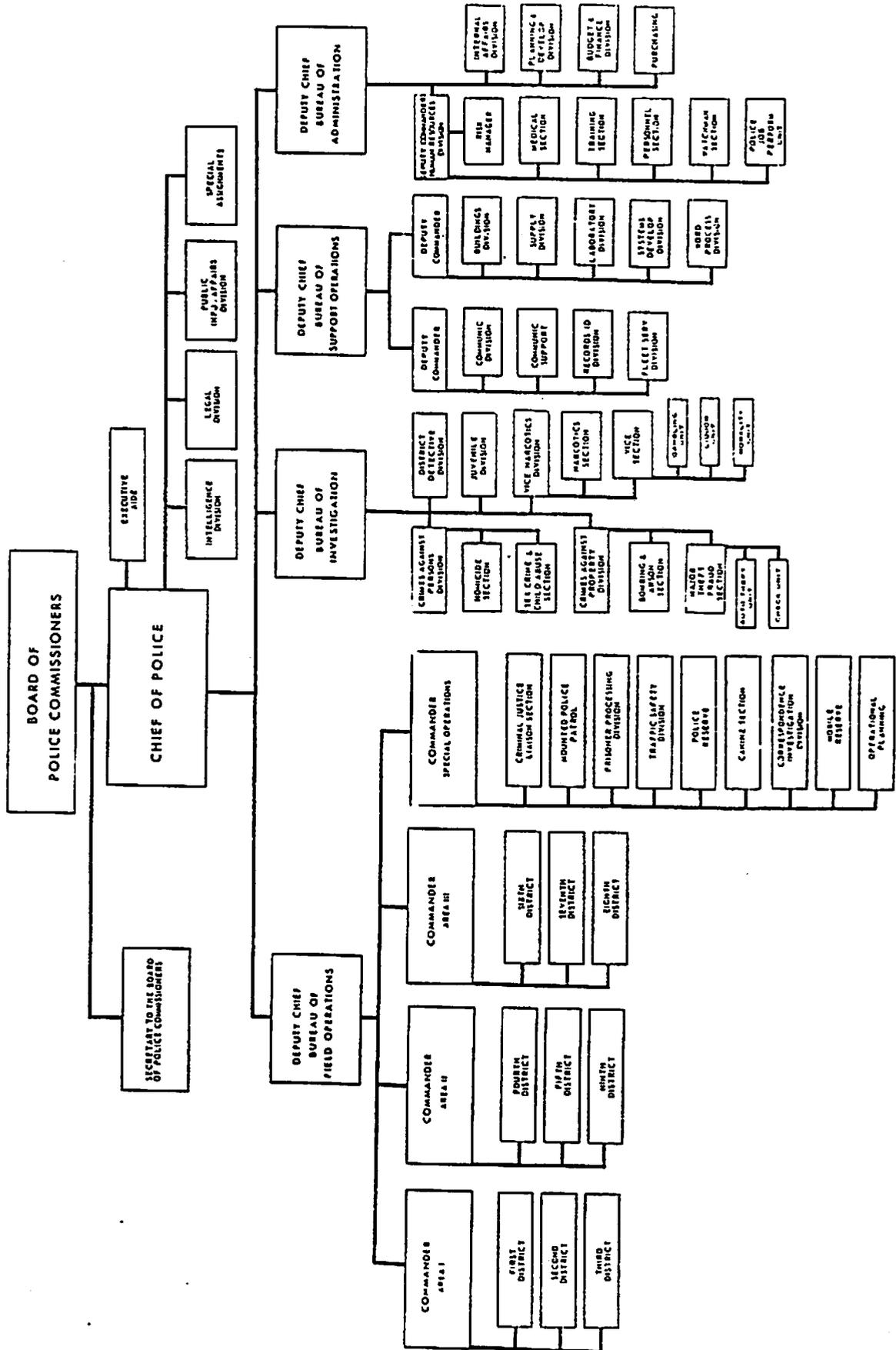
The department is governed by a five-member board of police commissioners. The governor appoints four commissioners of the police board, who, with the mayor as an ex officio member, control the police department. The police property, as well as the police department itself, is subject to the rules and orders of the Board of Police Commissioners.

The members of the Board of Police Commissioners at June 30, 1988, were:

Colonel Robert J. Baer, President
Colonel John J. Frank, Vice President
Colonel James E. Mosbacher, Purchasing member
Colonel William H. Young, Treasurer
Mayor Vincent Schoemehl, Ex Officio member

The terms of the four members expire in early 1989.

ST. LOUIS METROPOLITAN POLICE DEPARTMENT
 CITY OF ST. LOUIS, MISSOURI
 ORGANIZATION CHART
 JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

ST. LOUIS METROPOLITAN POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. Traffic Ticket Accountability (pages 11-14)
 - A. Districts did not adequately maintain ticket assignment logs.
 - B. The districts did not transmit all issued tickets to data control for processing.
 - C. The department improperly removed at least 584 traffic tickets from the system during processing and prior to transmittal to Municipal Court. These tickets were voided outside of the department's stated void policy. The lost revenue associated with these tickets is estimated to be between \$19,833 and \$22,928.

2. Bond Collection Procedures and Records (pages 14-16)
 - A. Prenumbered bond receipt forms were not issued for fugitive bond monies. The numerical sequence of city ordinance bonds was not accounted for properly.
 - B. Monthly bank reconciliations were not prepared for the fugitive bond account.
 - C. Fugitive bond monies collected were not deposited on a timely basis.
 - D. Reconciliations between bond forms and log sheets or bond books were not performed as described. Instances were noted where funds had been transmitted or deposited, but were not on the log sheets or bond books.
 - E. District bond form files were not maintained in an organized manner.

3. Inventory Controls and Procedures (pages 16-19)
 - A.1. The fleet services and armory divisions have not adequately segregated duties related to parts and supplies inventory.
 2. Reports generated by the GASBOY system are not properly monitored. Information on reports generated by the automated fuel dispensing system did not appear valid and pumps were being manually accessed.
 3. Procedures and controls related to the physical inventory count for parts and supplies were not adequate. Independent individuals were not responsible for the count, differences were not properly investigated prior to adjusting book balances, and mistakes were noted in the fuel inventory calculations used to adjust book balances.

- B. The armory does not maintain inventory records to account for ammunition purchases or subsequent issuances for use on the firing range.

4. Lease-Purchases (pages 19-20)

The department did not perform a cost-benefit analysis to evaluate purchase options when acquiring capital assets. This resulted in inefficient use of department funds and was caused by the purchasing division not being sufficiently involved in the decision-making process.

5. Health Insurance Plan (pages 20-24)

- A. The department did not solicit bids for the administration of, or the consultant services related to, the health insurance plans offered to employees and their dependents.
- B. The department did not have current signed written contracts for services provided by the third-party administrator or the consultant.
- C. The department could not provide supporting documentation for rate changes effective during the audit period.
- D. The department did not reconcile the operating account bank account and supporting ledger to the account's imprest balance. As a result, significant accounting errors in the account went unnoticed.
- E. The department did not credit interest earned on the operating account and stop loss insurance reimbursements to the funds which provided the revenue for the operating account.
- F. The department did not establish policies and procedures to monitor claims paid by the plan administrator.

6. Procurement Procedures (pages 24-26)

- A. Bids were not always solicited in accordance with unwritten policy nor was documentation available in all instances.
- B. The department did not execute written contracts with all vendors or businesses providing professional services.

7. Watchman Division (pages 26-27)

- A. The Watchman Division did not use prenumbered receipt slips. In addition, no independent review was performed to reconcile receipt slips written to monies recorded and deposited.
- B. Watchman Division checks were occasionally signed in advance.

8. Record Room (pages 27-28)

The department did not adequately segregate the accounting and record-keeping duties.

9. Chief's Imprest Fund and Secretary's Imprest Fund (pages 28-31)

- A. The department did not operate the Chief's Imprest Fund on a true imprest basis. Reimbursements and refunds received from third parties were not transmitted to the city but were deposited to the bank account and netted against replenishment requests.
- B. The department did not maintain supporting documentation for all disbursements made with travel advances or credit cards paid from the Chief's Imprest Fund and the Secretary's Imprest Fund.
- C. The department made questionable disbursements from these funds, some of which appeared to have been donations.

10. Restitution Payments (pages 31-32)

- A. The department did not maintain a mail log or daily cash receipt ledger of restitution payments received.
- B. Payments received were not promptly posted to the individual account cards.
- C. Cash receipts were kept in a file cabinet drawer until deposit.
- D. Monies collected were not deposited on a timely basis.

ST. LOUIS METROPOLITAN POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the St. Louis Metropolitan Police Department (SLMPD), city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as cash, payroll, revenues, and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the city taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all inclusive of areas where improvements may be needed.

The period of review for the purposes stated above included, but was not limited to the period covered by the financial statements for the year ended June 30, 1988.

1. Traffic Ticket Accountability

The SLMPD issues uniform traffic ticket summons (UTTs) and parking tags for violations of state laws and city ordinances. The districts and divisions request UTTs and parking tags from Central Supply Division weekly. Officers are then assigned ticket books from the district supply. Issued tickets are submitted to the district commanding officer for review and transmittal to the department's Data Control Section. There tickets are reviewed for completeness then forwarded to keypunching where the ticket information is input on the department's traffic control system. The tickets are then transmitted to the city of St. Louis Traffic Violations Bureau (TVB) for processing.

Our review of ticket procedures and records disclosed that some tickets are not properly accounted for and are not processed in accordance with departmental policy.

- A. The districts are not adequately maintaining ticket assignment logs. The districts are responsible for maintaining a ticket assignment log noting the ticket book number sequence, date assigned to the officer, and signature of the officer receiving the book.

District personnel indicated that officers occasionally fail to sign for the ticket books, resulting in a loss of accountability at the district level. In addition, no one person at each district has been assigned the responsibility of distributing the ticket books to officers. As a result, for 8 of 114 (7 percent) of the UTTs selected in a statistical sample, the department could not determine which officer had been assigned the tickets, nor could the department locate the tickets.

Ticket assignment logs are necessary to account for the numerical sequence of UTTs and parking tags as well as to identify the police officer responsible for a specific ticket sequence. Accounting for numerical sequence helps ensure all tickets are properly processed.

- B. During our test work, we noted numerous instances where UTTs and parking tags were improperly removed from the system (pulled) during processing and prior to transmittal to Municipal Court. These tickets were, in effect, voided outside of the department's stated void policy. There was no void form documenting the reasons why these tickets were pulled, nor were the ticket copies forwarded to Municipal Court as required by department policy.

SLMPD Administrative Special Rule No. 87-S-22 (updated June 30, 1987) establishes the department's procedures to be followed to void a UTT or parking tag:

- . A "Request to Void" form should be completed by the issuing officer's supervisor to void UTT or a parking tag, noting the actual circumstances and reason. The officers are prohibited from using courtesy as a valid reason for voiding a ticket.
- . The completed void form and all copies of the UTT or tag, except for the officer's copy, should be forwarded to the Data Control Section and then to the Municipal Court.

One instance was noted during our original statistical sample of 114 UTTs in which a ticket was transmitted to data control, but was pulled prior to transmittal to Municipal Court for further processing. The ticket was also not input on the department's traffic control system. While investigating the test exception noted, we discovered a ledger apparently documenting tickets pulled outside of normal channels.

In order to account for tickets pulled, the Data Control Section maintains the ledger which indicates the district or division issuing the ticket and ticket number. The requesting officer signs and dates the ledger and the district ticket transmittal form, and receives all copies of the ticket and the driver's license (if taken).

Our review of the ledger, and expanded test work on tickets contained therein, revealed the following concerns:

- 1) The pulled tickets are not forwarded to the Municipal Court for the assessment of fines and court costs nor does the violation become part of the defendant's driving record. As a result, city revenue is lost and offenders are not prosecuted.

The ledger documents approximately 584 UTTs and 607 parking tags that were pulled between August 22, 1987, and September 16, 1988, (the test period of our original statistical sample). Based on our original statistical sample of UTTs only, the average value of fines and court costs was calculated to be between \$34 and \$39. Based on the average values, lost revenue to the city from pulled (improperly voided) UTTs alone was estimated. If all these pulled tickets were processed and individuals convicted, lost revenue is estimated to be between \$19,833 and \$22,928 for the above time period. As noted, this does not include any estimate for pulled parking tags or for UTTs pulled prior to this time.

- 2) Our review of the unofficial ledger of pulled tickets indicated that virtually any officer can pull a ticket. Generally, the person pulling the UTT or parking tag is not the officer who issued the ticket, and frequently is not from the same district or division.

An analysis, stratifying the pullers noted in the ledger by rank and assignment location, indicated that 299 of 1,538 commissioned employees (19 percent) had pulled either a UTT or parking tag during the year. Tickets had been pulled by officers in 49 of 65 (75 percent) assignment locations, and by officers of all ranks.

The fact that tickets are pulled outside of normal channels, by officers from other than the issuing division or district who appear to have no special authority to do so, indicates that these tickets are pulled for other than valid, voidable reasons.

The above figures are based on an analysis of the ledger of pulled tickets only. This ledger indicated 584 UTTs had been pulled during the year ended August 1, 1988. However, our original statistical sample of tickets assigned during this period revealed 10 of 114 UTTs (8.8 percent) were not accounted for or not properly processed. Based on the statistical sample, between 7,449 and 27,667 UTTs assigned to districts during the year ended August 1, 1988, were either not accounted for or were not properly processed.

Many of these tickets may not have actually been issued. Some may have been in unissued books in the possession of officers, or may have been kept by officers when retiring, or being reassigned. However, the fact that tickets are pulled from the system prior to processing, as noted above, or are never even forwarded to data control for processing, as noted in part B. above, casts doubt that the ledger is a complete record of all tickets not properly processed. It is possible, therefore, that some of the projected missing tickets were improperly pulled.

To ensure all issued tickets are properly processed and transmitted to the Municipal Court or appropriately voided, the department should strictly adhere to formally established policies and procedures.

WE RECOMMEND the SLMPD:

- A. Adequately maintain ticket assignment logs at the district level to account for the numerical sequence of tickets assigned to officers and to identify the officer responsible for a particular ticket sequence.
- B. Account for the numerical sequence of issued UTTs and parking tags. We also recommend the SLMPD fully process or properly void all tickets issued, in accordance with formally established department policy.

AUDITEE'S RESPONSE

- A. Between January 17 and January 20, 1989, an inspection of all nine districts and special operations was conducted. All were found to be in compliance with page 29 of Administrative Special Rule No. 87-S-22, which required the maintenance of a ledger as to whom the tickets were assigned.
- B. Effective January 20, 1989, only command rank personnel are authorized to retrieve summonses and parking tickets from the computer center. All bureau or field operations staff officers are instructed to include the inspection of the district ledgers during their tours of duty. Additionally, a separate bound, numbered, page ledger for the issuance of summonses and parking tickets has been established. The ledgers contain the date of the issuance of the ticket, the officer's name, the first and last number of the summons or parking ticket, and the desk officer's department service number.

AUDITOR'S COMMENT

- A. Our review also noted that all districts were maintaining a ticket assignment log. The logs, however, are not always complete and accurate. As indicated, for 7 percent of the items tested, the district could not tell us which officer was assigned the ticket. If ticket assignment logs were properly maintained, each ticket could be located as either being in inventory, or assigned to a specific officer.

2. Bond Collection Procedures and Records

The SLMPD collects monies at headquarters (prisoner processing) and at the nine district locations for two types of bonds—city ordinance and fugitive. City ordinance bonds are posted for city ordinance violations. Fugitive bonds are collected for persons arrested on warrants issued by other law enforcement agencies.

Our review of bond collection procedures and records noted the following concerns regarding the use and accountability of prenumbered bond receipt forms, lack of bank statement reconciliations, untimely fugitive bond deposits, unrecorded bond receipts, and disorganized bond files:

- A. Prenumbered bond receipt forms are not issued for fugitive bond monies. A single-copy form is utilized and a photocopy of the bond form is issued to the individual only upon request. City ordinance bonds are prepared on prenumbered multiple-copy forms. However, the numerical sequence of bond forms is not accounted for properly.

Prenumbered forms are necessary to properly account for all monies received and to ensure receipts are properly recorded. The numerical sequence of bond receipt forms issued should be

accounted for to ensure all monies receipted have been properly recorded and transmitted to TVB or deposited. Furthermore, the use and proper reconciliation of prenumbered bond receipt forms would have identified the errors noted in part D. below.

- B. Fugitive bond monies are deposited into a separate bank account. The department then writes checks to the appropriate law enforcement agency.

Monthly bank statements for the fugitive bond account are not reconciled to internal accounting records. Bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to identify any errors in a timely manner.

- C. Fugitive bond cash receipts are not deposited daily. Instead, deposits are made approximately two times a week and average approximately \$611.

Infrequent deposits result in large accumulations of cash on hand and increases the opportunity for loss or misuse of funds.

- D. Department procedure requires bonds received to be recorded on summary listings, called bond log sheets or bond books, and reconciled to receipt forms and either transmittals or deposits.

Our test work noted three instances where the bond was not recorded on the bond log sheet or bond book though funds were deposited in the bank account or transmitted to TVB. These errors indicate that reconciliation procedures are not being performed as described.

Reconciliations between prenumbered bond receipt forms, log sheets or bond books, transmittals and deposits should be performed to ensure all monies received are properly recorded and, subsequently, turned over to TVB or deposited.

- E. District bond files are not maintained in an organized manner. In three instances the districts could not locate city ordinance bond receipt forms. Since these forms were signed by TVB to verify transmittal, a copy should have been on file at the districts. Each district should file bond forms numerically by date transmitted. This would facilitate accounting for the numerical sequence of bond forms as noted in section A. above.

WE RECOMMEND the SLMPD:

- A. Issue prenumbered bond receipt forms for all fugitive bond monies received. In addition, the numerical sequence of these and the city ordinance bond receipt forms should be accounted for. Bond forms should be reconciled to the bond log sheets or bond books and to bank deposits or transmittals to TVB.
- B. Prepare monthly bank reconciliations for the fugitive bond account.

- C. Deposit fugitive bond receipts daily.
- D. Perform reconciliations between bonds on hand and the log sheets or bond books according to described procedures.
- E. Require districts to maintain bond receipt forms in numerical order by date transmitted for easy reference and to aid in accounting for numerical sequence.

AUDITEE'S RESPONSE

The SLMPD handles only two kinds of bonds: city ordinance cash bonds and fugitive bonds. All city ordinance cash bond transactions are done on a prenumbered form and receipted for by the TVB.

Fugitive bonds, on the other hand, are made on MPD form General-251. While the forms are not prenumbered, the bonds are collected each day and the money is counted, verified, and deposited at the Boatmen's Bank at 9th and Washington on a daily basis. A check is written, and the original copy of the fugitive bond, along with the check, is sent to the concerned jurisdiction by certified mail. The "concerned jurisdiction" is the jurisdiction requesting the individual to be held or arrested by the SLMPD. None of this bond money is kept, retained, or used in anyway by the city of St. Louis or the SLMPD. A copy of the check, along with the receipt for the certified mail and the return receipt, are filed in the Prisoner Processing Division and kept for a period of thirteen months. The files, in which these fugitive bond records are maintained, are recorded by month, and within each file a copy of the check written, along with the receipt for certified mail and the return receipt, are deposited. These files are maintained for a period of thirteen months.

AUDITOR'S COMMENT

Our review indicated that some fugitive bond receipts are not deposited daily. Of fifteen bonds reviewed, eleven were deposited more than one day after they were received. Although the department maintains detailed records of each bond, they do not maintain an overall record accounting for all receipts and they do not adequately reconcile the records maintained. Without these procedures, the department cannot be assured that all bonds are recorded and deposited.

3. Inventory Controls and Procedures

- A. The department operates a service garage (fleet services) to perform maintenance on department vehicles. Fleet services maintains an inventory of parts and supplies needed to perform routine repairs. At June 27, 1988, this inventory had an approximate value of \$202,000. The department could make the following improvements to the controls over this inventory:
 - 1) There is no segregation of duties related to the parts and supplies inventory. The duties of purchasing, record keeping, control of access to assets, and parts and supplies issuance are performed by the parts manager.

To safeguard against possible loss or misuse of inventory, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance.

- 2) The department dispenses motor fuel through an automated system (GASBOY). Reports are generated which indicate vehicle number, date fueled, pump number, odometer reading, quantity, and price. An exception report is also generated which lists vehicle with miles per gallon, oil usage, miles traveled, or number of work orders processed outside established parameters. Our review of these reports noted improper monitoring for reasonableness.

In some instances, information on the reports did not appear to be valid or proper. Pumps were manually accessed and the odometer readings were incorrect. As a result, our review of the exception reports for November and December 1988 disclosed vehicles getting as low as 1.1 and as high as 176.1 miles per gallon. There was no documentation to indicate such instances were investigated.

Valid information and properly accessed pumps are essential to maintain the controls in the GASBOY fuel system. Fuel usage should be monitored to ensure reasonableness, identify potential problems or areas of abuse, and to deter loss, theft, or misuse.

- 3) Fleet services conducts an annual physical inventory of parts and supplies, such as tires, batteries, spark plugs, belts, other repair parts, and gasoline. Our review noted the following problems with the physical inventory procedures:

- a. Differences noted between inventory records and physical counts are not investigated. Book values are merely adjusted to agree to the physical count. This procedure allows possible improprieties to go undetected.

Discrepancies in inventory counts should be adequately investigated to identify potential loss, theft, or misuse of assets.

- b. Mistakes were noted during our review of fuel inventory calculations. Book adjustment figures did not agree to actual count sheet information.

- B. The department maintains supplies of various ammunition at a central armory. Ammunition is issued to the districts, pistol team, hostage team, and the firing range for training and is reordered by the armory when necessary. A physical inventory count is performed annually; however, there are no inventory records to reconcile to the inventory balance on hand.

No inventory records are maintained of armory ammunition purchases or of subsequent issuances to the firing range. Armory personnel indicated that records are kept of ammunition issued to the districts, hostage team, and pistol team. These are monitored for reasonableness and to keep the districts from stockpiling ammunition.

Complete inventory records are necessary to ensure that ammunition is purchased in economical quantities, to account for usage, and to detect potential loss, theft, or misuse.

WE RECOMMEND the SLMPD:

- A.1. Properly segregate the duties of fleet services parts and supplies purchasing, record keeping, issuing, and controlling access to inventory.
2. Monitor GASBOY reports for reasonableness and maintain documentation. Ensure that all information input to the GASBOY system is valid and pumps are properly accessed.
- 3.a. Investigate differences between book amounts and physical counts prior to adjusting the records.
 - b. Ensure proper figures are used when calculating fuel inventory adjustments and that count sheets are thoroughly completed.
- B. Establish a perpetual inventory system to account for ammunition purchases and issuances.

AUDITEE'S RESPONSE

- A.1. Although the parts manager has a role in inventory control, the separate accounts clerk does a periodic check of receipts against the invoices to ensure that items are being entered correctly and accurately. There is a further daily check of parts charged out against the repair order of individual vehicles for repair. If discrepancies occur, the repair order, along with the description of the error, is returned to the Parts Department for investigation and correction.
3. The discrepancy noted by the State Auditor was \$705 compared to the total expenditure for the year of \$572,321. The inventory control and accuracy rate in record keeping is 99.854 percent.

The State Auditor's reference as to fuel computation is erroneous. The fuel tank examined by the State Auditor was used to store contaminated fuel that had been drained from cars for fuel tank repair and vehicles that were being traded. This tank always reflects an erroneous amount. In order to eliminate this appearance of a discrepancy, this inventory item will be deleted, since it has no monetary value and actually constitutes waste product, rather than usable or reusable fuel.

- B. While there is no actual audit system in place pertaining to the control of the department ammunition at the Police Academy, an outside auditing firm does conduct an annual audit of the ammunition. If the State Auditor has some suggestions as to an appropriate inventory system for ammunition issued throughout the city, it may be of some assistance.

AUDITOR'S COMMENT

- A.1. During our review we could find no documentation to indicate that a separate review was performed. In addition, the department has no policy or procedure requiring such a review.

3. While the overall dollar amount of the inventory discrepancy may not be material, the \$705 difference is a net amount of approximately 716 different items for which we saw differences and no indication of further investigation. We did not attempt to determine the quality of the fuel in the fuel tank. At the time of the review this fuel was included on the department's inventory records, counted, and erroneously extended.

- B. Without a perpetual inventory system, the annual count of ammunition only provides an accurate means of valuing the amount of inventory on hand. It does not provide assurance that all inventory is properly recorded and controlled.

4. **Lease-Purchases**

The department utilizes lease-purchasing as a financing option for acquiring capital assets, such as copiers, computer equipment, and software. During the audit period, the department was a party to nineteen such agreements. These agreements are basically installment-type purchases.

There are no firm guidelines for evaluating the feasibility or practicality of using the lease-purchase agreements versus outright purchase. The decision-making process reflects the short-term goals of individual divisions rather than the long-term impact on the department as a whole. The Purchasing Director stated that the lease-purchases are generally negotiated by the individual division making the purchase and that the Purchasing Department merely processes the paper work. Following are a few examples of the agreements in effect:

<u>Principal Amount</u>	<u>Effective Annual Interest Rate</u>	<u>Number of Payments</u>	<u>Total Interest Cost</u>
\$ 38,190	13.5%	36 monthly	\$ 8,440
4,620	13.5	36 monthly	1,022
29,763	12.0	60 monthly	9,960
189,000	16.0	60 monthly	87,000
8,930	12.7	60 monthly	3,056

Typically, a lease-purchase option is used when sufficient funds are not available in a particular division's budget for an outright purchase. However, the department, as a whole, operates on an annual budget of approximately \$74 million and could probably budget funds to pay for these purchases outright or in a more timely manner. Entering long-term

leases for such small principal amounts unnecessarily increases interest costs.

The Purchasing Division should have a central role in long-range planning for equipment and software acquisition. The Purchasing Division should help ensure that departmentwide long-term instead of short-term goals are considered and should thoroughly analyze all purchasing options to ensure the department makes the most cost-beneficial decision.

WE RECOMMEND the SLMPD increase the Purchasing Division's role in developing procedures to thoroughly evaluate purchase options prior to entering lease-purchase agreements.

AUDITEE'S RESPONSE

The total amount of items required under a lease-purchase arrangement was \$2,642,772. The vast majority of the equipment is being acquired for the new "communication" building and computer equipment, which represents an upgrading of outmoded equipment. The State Auditor has questioned \$270,503, or 10 percent, of the lease-purchase contracts.

The lease-purchase arrangement was necessitated by the financial and money shortages of the city of St. Louis, which did not have the financial capacity to pay for the purchases out of current revenues.

5. Health Insurance Plan

The SLMPD offers various health insurance plans to employees, retirees, and their dependents as required by Section 84.160.9, RSMo 1986. During our audit period, six options were available. One option was, and still is, the SLMPD Employee Benefit Plan, a self-insurance plan established in 1984, which is administered by a third party. The third-party administrator processes all claims submitted and bills retiree participants for premiums. In addition, the department has used a consulting firm since the initial establishment of the self-insurance plan. The firm assists in developing cost projections for ensuing years, determines and recommends rate charges to the department, and acts as a liaison between the department and the plan administrator.

During late April 1988 health insurance plan options were reviewed and revised by the department. As a result, four plans are currently available. Three are self-insured under a triple-option feature. Our review noted the following concerns:

- A. Bids were not solicited for the administration of the triple-option health insurance plans offered. In addition, neither the third-party administrator services nor the consultant services have been bid since the inception of the self-insurance plan in 1984.

As noted above, in late April 1988 the department revised the health insurance plans offered. On April 22, 1988, the St. Louis Police Officers Associations (SLPOA) filed a lawsuit alleging, among other things, that the department was required to follow state purchasing rules in obtaining the insurance plans but had failed to do so.

According to testimony and findings documented in the September 15, 1988, decision by the Missouri Circuit Court, Twenty-Second Judicial Circuit, in January 1988 the department's Risk Manager began studying alternatives to the various insurance plans offered. The goal was to reduce the number of plans in order to increase control of costs and to provide more claim stability or predictability. Another goal was to replace the Blue Cross "IPP" plan which notified the board in August 1987 that its program would be terminated on May 1, 1988. The board did not take any action until March 1988. At this time the board President, Secretary, and Risk Manager began evaluating health insurance options.

In mid-March 1988 the Risk Manager was instructed to develop a list of carriers able to provide the type of plan desired by the board, primarily a single self-insured plan with a triple-option feature. The risk manager felt only two providers met the requirements; a provider to which the department was already contracted and another provider, which the manager felt was unacceptable. In late March 1988 proposals were taken from both providers and on March 29, 1988, the board, through its president, chose to use the services of the provider to which it was previously contracted.

During April 1988, the last month of the fiscal year, existing providers were notified that their services were no longer needed, employees were notified of the changes, and enrollment began. On April 22, 1988, the SLPOA filed the above lawsuit, and on April 29, 1988, at a public meeting the board formally approved the change in insurance programs. Thus, the formal decision was made two days before the existing contracts expired.

In its decision, the court drew several conclusions concerning the department and its purchasing obligations. The court concluded that the department is a state agency, but that it is not subject to the State Purchasing Act which requires competitive bidding. As a state agency, it is not subject to city purchasing guidelines, either.

While it appears that the department is not required to use competitive bidding, competitive bidding assures all parties are given an equal opportunity to participate in department business and assures the department it is receiving the best possible services at the most economical price. In its decision the court noted that the department had previously used competitive bidding by the city of St. Louis to obtain insurance contracts, and that other providers were also available to submit bids (though not necessarily better) for servicing "triple-option" plans.

- B. Current, formal executed written contracts do not exist for the third-party administrative services or the consulting firm services, although the department has made regular payments to these companies for services provided.

The department and the Administrator for the third-party administrative services, appear to be operating under the terms of

the Administrator's proposal submitted in March 1988. The terms of this proposal have not been established through a formal written contract. Likewise, payments to the consulting firm are on a "pay as you go" basis, but the services and related fees have not been established through a formal written contract.

Section 432.070, RSMo 1986, requires a properly approved written contract be executed prior to the payment of any fees. If the department desires to engage these services, a written agreement should be prepared and formally executed which specifies the services to be provided and the associated fees required.

- C. The third-party administrator is paid a monthly fee based on the number of plan participants. The fee schedule changed during the audit period. While the fee change was effective July 1986, the department did not make the change until March 1987 when the plan administrator notified the department it was paying the incorrect fee. A retroactive adjustment was subsequently needed.

Rate changes should be made when they are effective to ensure charges are authorized, proper, and timely.

- D. During the audit period, payments for claims against the self-insurance plan were made by the third-party administrator from a \$200,000 imprest operating account. The imprest limit was subsequently raised to \$450,000. The administrator periodically submits summaries of claims paid, refunds received, etc., upon which the department replenishes the operating account.

The department does not reconcile its ledgers of account activity to the imprest balance. We attempted to reconcile the bank account to the imprest balance at June 30, 1988. After considering normal reconciling items, such as interest earned, stop loss payments received, and claims paid but not yet processed for replenishment, etc., the account was still out of balance by approximately \$140,319. After considerable effort, the department was able to identify the amount as various errors. These included inaccurate transfers or deposits into the imprest account due to miscalculated replenishment amounts; deposits into the wrong account; and incomplete posting to the account ledger. The errors dated back as far as December 1985 and would have been detected earlier had the bank account and account ledgers been periodically reconciled to the imprest balance.

The failure to reconcile the bank account and account ledger to the imprest balance allowed the above errors to go undetected. Periodic reconciliation to the imprest balance helps detect errors on a timely basis, ensuring that the account is operating properly.

- E. The city of St. Louis reimburses all claims paid for current department employees and post-1969 department retirees. Coverage for employee dependents and pre-1969 retirees is paid through premiums which are billed to the retiree or deducted through payroll withholdings. These premiums are deposited into the health

insurance savings account and transfers are made to the operating account for dependent and pre-1969 retiree's claims paid.

As noted earlier, the self-insurance operating account is established on an imprest basis. However, as of June 30, 1988, the account contained interest earned of \$23,873 and stop-loss insurance refunds (which are payments to the plan from another insurance policy when preset liability limits are exceeded) of \$154,578. These amounts are over and above the imprest balance and are not periodically credited back to the sources of revenue for the operating account; either the city contributions or transfers from the savings account. In addition, these amounts are not considered when calculating the replenishment requests from the city or the savings account.

The failure to credit these back to the proper funding sources, either the city's General Revenue Fund or the savings account, reduces the control aspects inherent in an imprest system and results in the city and the savings account contributing more than required. Additionally, this may result in lost interest revenue to the city.

- F. The plan administrator has the authority to draw checks on the self-insurance operating account without the prior approval of the department. However, no policies or procedures have been established by the department to review claims paid by the plan administrator. While the department indicated that some overall reasonableness review was performed on the biweekly claims report, there is no documentation of these reviews and no periodic reviews were performed of individual claims paid.

Claims paid by the plan administrator should be periodically reviewed to ensure payments are proper and to detect potential loss, theft, or misuse of department funds by an outside party.

WE RECOMMEND the SLMPD:

- A. Establish policies and procedures for the procurement of professional services. These procedures should include a means of competitively evaluating prospective providers on a periodic basis.
- B. Enter into written contracts for any services to be provided.
- C. Ensure rate and fee changes are made on a timely basis.
- D. Reconcile the operating account ledger and bank account balance to the imprest balance.
- E. Credit stop loss insurance reimbursements and interest earned back to the city General Revenue Fund and the savings account.
- F. Establish policies and procedures to periodically review claims paid by the plan administrator and maintain documentation of reviews.

AUDITEE'S RESPONSE

The State Auditor made several recommendations regarding policy and procedures for the procurement of medical insurance programs for its officers. This entire issue was resolved by the December 15, 1988, decision of the Circuit Court of the city of St. Louis where the validity of the department's policy and decision of employee health plans was upheld.

In any event, it is not true that the health insurance and consulting services have not been bid. The hospital medical benefits were bid in 1984, when a major change in self-insurance was made. In 1988, we obtained bids from ten health maintenance organizations and two other medical insurance programs or organizations. Dental insurance was bid on a request for proposal basis in 1986. Life insurance was competitively bid in 1986 and 1987. The consultant selection was also based on bidding. Special studies in 1985 and 1987 were also bid out. Copies of the written agreements with the providers exist and have been supplied or made available to the State Auditor.

AUDITOR'S COMMENT

The September 15, 1988, court decision determined whether the department was required to follow state purchasing rules and if it had acted illegally in obtaining the health insurance contract. It did not address whether the use of bids is a prudent business practice. While it is true the department has bid other health insurance contracts, they did not bid the one in question. While not required by law, such bids would have been a prudent action and in keeping with the department's past practices.

6. Procurement Procedures

- A. The SLMPD has not consistently followed their written bid policy. The Board of Police Commissioners is to establish limits for purchases requiring bids; however, no written documentation of these limits was provided. The department's stated policy is for bids to be solicited for all purchases over \$1,000, and bids for purchases over \$5,000 are to be published in the City Journal.

Bids were not always solicited nor were bids always properly published for various purchases made by the department during the audit period. The Purchasing Department indicated bids were often solicited through telephone calls; however, supporting documentation was not retained. Examples of items purchased without documentation of bids were:

<u>Item</u>	<u>Amount</u>
Alternators	\$ 14,974
Auto equipment	18,968
Auto parts	210,350
Professional writing course	12,000
Used vehicles	96,092

In addition to the above, bids were solicited but not advertised as required for the purchase of the following:

<u>Item</u>	<u>Amount</u>
Railroad flares	\$ 16,234
IBM XT Computer	5,702
Uniform traffic ticket forms	5,937
Computer paper	32,004

Documentation of bids should include at a minimum a listing of vendors from whom bids were requested, copy of the request for proposal, newspaper publication notice when applicable, bids received, basis and justification for awarding the bid, and documentation of all discussions with vendors.

The use of proper bidding procedures for major purchases provides a framework for economical management of department resources and helps assure the department it receives fair value by contracting with the lowest and best bidders.

- B. During fiscal year 1987, the department spent over \$200,000 for the professional services of attorneys and consultants, and approximately \$159,000 was spent during fiscal year 1988 for medical services. The department does not have a signed contract outlining services to be provided and fees to be charged for any of these services. In addition, contracts were not executed with some of the vendors who provide supplies or services on a recurring basis.

Section 432.070, RSMo 1986, requires all contracts be properly approved and in writing prior to payment of fees or rendering of services. A written contract should clearly define the responsibilities and duties of the contracting parties, provide an estimate of contract cost and the basis for the cost, and provide procedures for subsequent changes in the agreement. In the absence of a written contract, misunderstandings can arise concerning each parties responsibilities and as a result the department could expend funds unnecessarily.

WE RECOMMEND the SLMPD:

- A. Solicit bids for all purchases in accordance with the policy, and require documentation of all bids solicited be maintained by the Purchasing Division.
- B. Obtain signed and approved written contracts for all professional services and major vendor purchases.

AUDITEE'S RESPONSE

There is no requirement for competitive bidding for certain kinds of professional services, such as attorneys, accountants, and other professionals. Nonetheless, it is and has been the board's practice to seek "requests for proposals" from various professionals and to select the professional for providing services based not only on the "price," but the quality of services to be provided.

In some instances, in acquiring hardware or equipment, the "purchase" was in fact nothing more than the exercise of an option to purchase equipment already being leased. In other instances, equipment was purchased from the only source in the SLMPD area. Other equipment was purchased under an ongoing agreement or contract with a supplier.

7. Watchman Division

The SLMPD's Watchman Division collects and processes various fees and refundable deposits for the training and licensing of security guards and private watchmen.

- A. The receipt slips used by the Watchman Division are not prenumbered and are discarded at day's end, after receipt slips are balanced to money on hand by the clerks. In addition, there is no reconciliation of receipts slips and funds transmitted for deposit by someone independent of the division.

In the absence of prenumbered receipt slips, there is no assurance that all receipt slips written and money collected has been accounted for in the clerk's day-end reconciliation. Prenumbered receipt slips increase assurance that all money collected is properly recorded. The numerical sequence should be accounted for to ensure all monies receipted have been properly recorded and deposited.

Someone independent of the cash receipts process should reconcile the receipts to deposits. This reconciliation should include accounting for the numerical sequence of prenumbered receipt forms and reconciling total receipts to deposit. This would increase assurance that all money collected has been properly recorded and deposited.

- B. The division writes various checks to the city and to individuals for the refund of badge deposits. Blank checks are occasionally signed in advance. This practice significantly increases the possibility of funds being misappropriated.

WE RECOMMEND the SLMPD:

- A. Issue prenumbered receipt slips and account for the numerical sequence. Establish procedures to perform an independent reconciliation of receipt slips to deposits.
- B. Not sign checks in advance for any reason.

AUDITEE'S RESPONSE

The department has acquired an electronic cash register with funds from the Private Security Requalification Program. The electronic cash register is superior to the system suggested by the State Auditor. It eliminates the amount of paper involved, reducing the possibility of lost, misplaced, or misunderstood paper receipts. A continuous electronic ledger is maintained, provides a numbered receipt, maintains a record of daily activity, reduces the

workload of the section, log the data, provides verification of the transaction, and far superior to the system suggested or recommended by the State Auditor.

AUDITOR'S COMMENT

The system will provide the receipt slips and numerical sequence as recommended; however, procedures need to be adequately segregated and properly supervised for the record system to be effective.

8. Record Room

The SLMPD's Record Room collects various fees for services, such as copying police reports, record checks, fingerprinting, and passports. Various entities are allowed to operate on a credit basis and are billed at month's end.

The Record Room's accounting and bookkeeping duties are not adequately segregated. One person is responsible for collecting, recording, and reconciling cash receipts to internal collection and billing records as well as approving and mailing billings for accounts receivable customers. In addition, the supervisor does not review the reconciliations of cash receipts and billings.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance.

WE RECOMMEND the SLMPD adequately segregate the Record Room accounting duties by separating the responsibilities of cash collection from billings and requiring the supervisor to review all reconciliations.

AUDITEE'S RESPONSE

At the present time, one cashier is assigned to perform the duties suggested by the State Auditor. In order to have separate people perform the separate functions, it would be necessary to employ additional personnel. The State Auditor has noted in her report that in deciding the feasibility or desirability of establishing and maintaining internal controls, an assessment must be made weighing:

“. . . the expected benefits and related costs for control procedures. Any internal control system should provide reasonable, but not absolute, assurances that assets are safeguarded against loss and that transactions are carried out as authorized and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.”

The cost benefit of hiring additional personnel to perform work now being adequately accomplished by one person does not seem to be justified. Prior audits have not indicated any defalcation or shortage in this account. There is no reason to suspect or believe that all of the monies are not being properly

accounted for or collected. In view of the absence of any suggestion that all of the monies are not being timely and properly collected and credited, there does not appear to be any justification for the expenditure of additional monies for the hiring of people who are not needed.

AUDITOR'S COMMENT

We believe duties could be further segregated with existing personnel. The fact that no audit has disclosed any improprieties is not sufficient justification for not establishing proper internal controls. In the absence of proper internal controls, routine audits may be unable to disclose all types of improprieties that could be occurring.

9. Chief's Imprest Fund and Secretary's Imprest Fund

The Chief's Imprest Fund is used to pay for travel advances to attend seminars, prisoner transportation costs, miscellaneous expenses for the Intelligence Unit, the Chief's Mastercard bill, and other miscellaneous expenses. The fund includes a checking account and a petty cash fund. The Secretary's Imprest Fund is also used for travel advances as well as miscellaneous board expenses, such as fund-raisers, court fees, donuts, soda, and board member's Mastercard bills. This fund includes a checking account and a petty cash fund which are maintained on an imprest basis.

- A. The Chief's Imprest Fund is not maintained on an imprest basis as the name would suggest.

Many of the travel advances for the Chief's Imprest Fund relate to the transportation of prisoners back to Missouri for prosecution. The department receives reimbursements from the state which are deposited into the bank account.

These state reimbursements are not handled properly. When requesting the city to periodically replenish the bank account to the \$6,000 imprest balance, the department merely nets the difference between the period's expenditures and these reimbursements. In some instances, due to timing differences, these reimbursements exceed current period expenditures, causing the account to exceed the \$6,000 limit until expenditures exceed reimbursements. For example, if actual expenses from the fund were \$9,500 and state reimbursements received were \$7,000, the department would request \$2,500 to restore the fund to \$6,000. However, if expenditures were \$1,000 and reimbursements were \$4,000, no funds would be requested as the account balance would be \$9,000 thereby exceeding the imprest balance by \$3,000.

As a result of the above procedures, the city is not replenishing the account based on documentation of actual expenditures and funds are available which have not been properly budgeted. The fund should be reimbursed based on actual expenditures and any travel advance refunds and state reimbursements received should be turned over to the city upon receipt for deposit into the city treasury.

Under an imprest basis, a fund is established at a fixed amount. The imprest basis helps prevent misuse of cash by requiring adequate supporting documentation for all disbursements prior to replenishing the account. It also allows periodic reconciliations of the cash balance with disbursements.

To ensure the imprest system is functioning properly, the cash fund should be reconciled daily to the imprest and ledger balance by someone who has neither access to the cash drawer nor records the cash receipts. Any discrepancies should be thoroughly reviewed.

- B. Through the Chief's Imprest Fund and the Secretary's Imprest Fund, the department advances money to various officers and employees for out-of-town meeting expenses and for prisoner transportation costs as noted above. During our test work, we noted several instances where supporting documentation was not available for disbursements.

The department has obtained Mastercard credit cards for the chief and the board members. Charges against these cards are paid through the Chief's Imprest Fund and the Secretary's Imprest Fund. According to department personnel, these cards are used for official department business only and are for expenses which might normally be paid by obtaining an advance. During our review, we noted various charges made at local restaurants for which no documentation was available. Without supporting documentation it is not possible to determine the purpose of the meal or to identify the individuals attending.

Without proper supporting documentation, the department has less assurance that these advances were spent as originally intended, or that the expense is related to official department business.

- C. During our review of the funds' disbursements, we noted various questionable expenditures. Some of which may violate the constitutional prohibition of granting public funds to private organizations. Questionable expenditures we noted include:

St. Louis Police Wives Association Benefit Ball	\$ 520
Urban League of St. Louis annual dinner meeting	500
NAACP Freedom Fund dinner	1,000
Special Olympics	882
Gamma Omega Chapter Alpha Kappa Alpha Scholarship Fund	60
Advertisement in Alpha Kappa Alpha program for 1987 Fashionetta Debutante Cotillion	60
Recorder	140
IACP Conference--registration fee for the wife of a board member	50
Retirement party (tables at dinner)	300
Retirement gift	237
Tobacco and beer	91
Bowling team	172
Cardinal baseball club (tickets)	133
Watches (gifts for visitors)	845
	<hr/>
Total	\$ 4,990
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The cash funds readily provide the resources to expend without the regular approval process. As a result, disbursements are made which may not be related to department business or are not in the department's best interest.

Various Missouri Attorney General's opinions conclude that public monies should not be granted to private organizations. The Attorney General cited Article VI, Sections 23 and 25 of the Missouri Constitution provide the basis for these opinions.

Many of the amounts paid were based on requests or ticket prices from these organizations. However, no documentation exists to support the public purpose served by these expenditures. If the services provided by these organizations are determined to be desirable, the department should document how the expenditures are reasonably related to the properly authorized powers and functions of the SLMPD.

WE RECOMMEND the SLMPD:

- A. Operate the Chief's Imprest Fund on a truly imprest basis and turn travel advance refunds and reimbursements over to the city.
- B. Require proper supporting documentation be maintained for all disbursements from imprest funds.
- C. Review the propriety of all disbursements. The department should refrain from making donations of public funds to private organizations.

AUDITEE'S RESPONSE

One cannot lose sight of the fact that the city of St. Louis, which is served by the SLMPD, is diverse in terms of racial, ethnic, and socioeconomic groups. The department's outreach to all of these groups is essential to the success of the department and the public's confidence in it. The department could employ someone to go into the community to represent the department, to show the presence of the department in the community, and generally foster good relationships with all of the members of the community. However, the board made the decision that it is more appropriate to send actual police officers into the community as ambassadors of goodwill, whether it be to attend dinners, participate in charitable functions, or invite leaders and members of various groups to functions sponsored by the department. The costs associated with these activities is far less than paying the salary of a full-time community relations employee. The board has determined the results of utilizing actual police officers to be far superior than a salaried community-relations individual. The costs are minimal compared to the benefits resulting from the department's participation. We do not believe that the State Auditor would seriously suggest that the SLMPD should not attempt to maintain or establish good relations with the Urban League of St. Louis, the NAACP, the Special Olympics, and similar organizations. The explanation for each of the expenditures questioned by the State Auditor has been supplied to the State Auditor.

AUDITOR'S COMMENT

We recognize the department's authority to engage in community relations endeavors. To the extent this involves the payment of public monies to private organizations, the department must ensure they do not violate the provisions of the Missouri Constitution.

10. Restitution Payments

The department receives court-ordered restitution payments from individuals convicted as a result of department investigations. These payments are meant to defray the investigation costs, and generally pass through the individual's probation officer.

- A. No mail log or daily cash receipt ledger is maintained to record and summarize payments received. A card file, by individual, is the only record of payments received. Deposits are not reconciled to this card file. The lack of reconciliations between receipt records and deposits increases the possibility that errors will not be detected on a timely basis or will remain undetected.

To establish accountability and internal controls over the restitution payments, a mail log or daily cash receipt ledger should be maintained and reconciled to deposits.

- B. An account card is maintained for each individual owing money on a restitution case. According to department personnel, each payment received is promptly posted to the appropriate card file. However, our examination of the account cards revealed that payments are not always posted immediately upon receipt. As a result, the accuracy of amounts due from individuals per the account cards

appears questionable, thus hampering efforts to reconcile receipts to deposits.

- C. Cash receipts are kept in a file cabinet until deposit. To adequately safeguard cash receipts and reduce the risk of loss, theft, or misuse of funds, monies should be held in a locked box or safe until deposit to ensure the security of official monies.
- D. Deposits are not made on a timely basis. Instead, deposits are made approximately every six weeks. Untimely deposits increase the opportunity for the loss or misuse of funds.

WE RECOMMEND the SLMPD:

- A. Prepare a mail log or daily cash receipt ledger and reconcile the receipt records to deposits.
- B. Post receipts to account cards promptly upon receipt.
- C. Adequately safeguard receipts prior to deposit.
- D. Deposit receipts daily or when receipts exceed \$100.

AUDITEE'S RESPONSE

An audit was conducted of money deposited to the special investigative fund and all money accounted for. All deposits of restitution money on file are backed up with a copy of every money order or certified check deposited to the account. Each individual money order or certified check was certified against entries on the restitution payment cards and every money order or certified check was found to be properly recorded on the mentioned cards for the period from May 1986 through January 1989. Each entry was initialed during the verification process.

Arrangements have been made to review the restitution card file on a weekly schedule basis and payments will be posted to the individual restitution payment file card upon receipt. Deposits of the restitution payments will be made on a daily basis when such payments are received.

AUDITOR'S COMMENT

The fact that no audit has disclosed any improprieties is not sufficient justification for not establishing proper internal controls. In the absence of proper internal controls, routine audits may be unable to disclose all types of improprieties that could be occurring.

APPENDICES

Appendix A

METROPOLITAN POLICE DEPARTMENT
CITY OF ST. LOUIS, MISSOURI
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND
FISCAL PERIODS MAY 1, 1986, TO JUNE 30, 1988

(U N A U D I T E D)

	Fiscal Period			
	May 1, 1986, to April 30, 1987	May 1, 1987, to June 30, 1988		
	Appropriations	Expenditures	Lapsed Balance	Appropriations
PERSONAL SERVICE				
Salaries	\$ 58,770,450	57,953,527	816,923	69,460,172
Fringe benefits	5,160,585	4,702,888	457,697	8,579,746
Workers' compensation	700,000	1,065,068	(365,068)	800,000
Total Personal Service	64,631,035	63,721,483	909,552	78,839,918
EXPENSE AND EQUIPMENT				
Office and operating supplies	1,796,330	1,623,034	173,296	1,984,221
Miscellaneous materials	480,770	547,831	(67,061)	677,631
Equipment purchases and repair	1,467,790	2,019,625	(551,835)	2,402,528
Contractual services	4,767,590	4,917,488	(149,898)	5,484,263
Special purposes	820,740	610,894	209,846	813,888
Total Expense and Equipment	9,333,220	9,718,872	(385,652)	11,362,541
Total General Fund	\$ 73,964,255	73,440,355	523,900	90,202,459
				Expenditures
				Lapsed Balance
				737,762
				898,987
				(132,452)
				1,504,297
				(41,569)
				(62,273)
				(956,131)
				(309,304)
				(120,277)
				12,852,095
				(1,489,554)
				90,187,716
				14,743

Appendix B

METROPOLITAN POLICE DEPARTMENT
 CITY OF ST. LOUIS, MISSOURI
 COMPARATIVE SCHEDULE OF GENERAL FUND EXPENDITURES
 FIVE YEARS ENDED APRIL 30, 1987, AND MAY 1, 1987, TO JUNE 30, 1988

(U N A U D I T E D)

	Year Ended April 30,				
	1987	1986	1985	1984	1983
	May 1, 1987, to June 30, 1988				
PERSONAL SERVICE					
Salaries:					
Regular employees	\$ 55,663,131	36,356,940	34,142,891	30,584,728	30,352,024
Noncommissioned employees	13,059,278	9,139,514	8,451,821	8,475,737	8,099,709
Per performance	-0-	-0-	-0-	-0-	-0-
Salaries - revenue sharing	-0-	10,007,859	10,677,616	10,750,000	9,200,000
Employer social security coverage	978,061	645,194	591,756	574,664	541,305
Employer medical insurance	4,215,077	3,323,700	3,730,099	3,590,227	3,674,477
Employer retirement contribution	-0-	468,479	678,138	812,588	744,405
Life insurance costs	518,904	426,507	-0-	-0-	-0-
Workers' compensation	932,452	1,248,909	599,914	-0-	-0-
Overtime	1,968,718	1,275,777	1,205,750	1,401,791	-0-
Total Personal Service	77,335,621	62,892,879	60,077,985	56,189,735	52,611,920
EXPENSE AND EQUIPMENT					
Office supplies	2,025,790	1,706,362	1,838,773	1,930,937	2,256,943
Miscellaneous materials	739,904	419,787	394,935	410,776	393,969
Equipment purchases and repairs	3,358,659	1,580,984	1,591,238	1,964,104	1,599,072
Contractual services	5,793,567	4,733,785	4,963,612	4,700,383	3,957,694
Special purposes	934,175	459,604	526,377	392,121	504,544
Total Expense and Equipment	12,852,095	8,900,522	9,314,935	9,398,321	8,712,222
Total Expenditures	\$ 90,187,716	71,793,401	69,392,920	65,588,056	61,324,142

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